



**Health Services**  
LOS ANGELES COUNTY

March 20, 2007

Los Angeles County  
Board of Supervisors

Gloria Molina  
First District

Yvonne B. Burke  
Second District

Zev Yaroslavsky  
Third District

Don Knabe  
Fourth District

Michael D. Antonovich  
Fifth District

Bruce A. Chernof, MD  
Director and Chief Medical Officer

John R. Cochran III  
Chief Deputy Director

Robert G. Splawn, MD  
Senior Medical Director

313 N. Figueroa Street, Suite 912  
Los Angeles, CA 90012

Tel: (213) 240-8101  
Fax: (213) 481-0503

*To improve health  
through leadership,  
service and education.*



[www.ladhs.org](http://www.ladhs.org)

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF SOLE-SOURCE CLAIMS ADJUDICATION  
SERVICES AGREEMENT WITH AMERICAN INSURANCE  
ADMINISTRATORS, A SUBSIDIARY OF MANAGEMENT  
APPLIED PROGRAMMING, INC.  
(All Districts) (3 Votes)**

**IT IS RECOMMENDED THAT YOUR BOARD:**

Approve and instruct the Director of Health Services, or his designee, to sign a sole-source Agreement, substantially similar to Exhibit I, with American Insurance Administrators (AIA), a fully owned subsidiary of Management Applied Programming, Inc., to continue as the County's contracted medical claims adjudicator for services provided by non-County physicians to County responsible patients, effective upon Board approval through March 31, 2008, with a maximum obligation of \$2.2 million, with provision for four twelve-month automatic renewals through March 31, 2012 for an additional \$9.0 million, for a total maximum obligation of \$11.2 million; partially offset by up to \$5.7 million in State allocated Tobacco Tax and SB 612 administrative funds resulting in a net County cost of \$5.5 million.

**PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTION:**

Approval of the recommended sole-source Agreement with AIA will allow for the continued use of a uniquely qualified vendor to process thousands of non-County physician claims annually for County responsible patients in programs such as the Physician Services for Indigents Program (PSIP), the Public-Private Partnership (PPP) Program and the new MetroCare model and its concomitant urgent development and processing requirements. The current Agreement with AIA is scheduled to expire on June 30, 2007.

Since approval of their initial agreement, after a competitive-bid process nearly ten years ago, AIA has created a customized, reliable, efficient, and effective claims processing and data reporting system specifically tailored to meet the needs of the Department of Health Services ("Department"). This

contractor has an exceptional understanding of the County PSIP and PPP Programs' architecture and ideology and has developed customized programming, software, communications, disaster recovery and security maintenance. Additionally, it has a history of consistently and quickly responding to the changing needs and demands of the Department through innovation and a partnership approach.

In fact, due to this relationship and AIS's technical capabilities and thorough understanding of County programs related to non-County physician providers, they have offered to develop and provide under this Agreement, at no additional cost to the County; data conversion and electronic file transfer functionality for non-County hospital claims data required to meet State Medically Indigent Care Reporting System (MICRS) and California Healthcare for Indigents Program (CHIP) reporting requirements.

The PSIP and PPP programs are very large (a combined total of about one million claims annually), complex, and multifaceted, requiring significant knowledge and understanding of County and provider organization operations and interaction with thousands of non-County physicians, clinics, and billing offices. Contracting with another vendor(s) would generate software development costs to replicate the current customization, disrupt access to and require conversion of more than nine million PSIP and PPP claims records, impact over 4,000 non-County physicians, and perhaps most importantly delay initiation of claims processing and reporting functionality for MetroCare.

Due to AIA's familiarity with non-County Physician claims processing and reporting for the County, and its experience and expertise in customizing such systems for the County, no other vendor could initiate non-County physician claims processing for MetroCare with the same rapidity and effectiveness as AIA. An unnecessary delay in initiating claims processing services for MetroCare could result in non-County physicians refusing to participate in the program and jeopardize provision of timely and needed care to these patients.

Transitioning to a new contractor would be further complicated because final processing of claims for a fiscal year can continue for up to two years beyond the end of that fiscal year due to the appeals process and program auditing. This presents a risk of delayed processing and payment of claims to non-County physicians and non-profit providers of PPP services which rely on timely receipt of payments. Any such delay could result in reduced physician on-call emergency room panels and jeopardize the fragile emergency and trauma care systems.

The County-developed Physician Reimbursement Advisory Committee (PRAC) strongly endorses the recommended Agreement with AIA and expressed significant concern about the potential detriment to PSIP should a vendor change be made.

The PRAC is comprised primarily of physicians representing organizations such as the Los Angeles County Medical Association (LACMA), California Chapter of the American College of Emergency Room Physicians, and the County's Trauma Hospital Advisory Committee, the

Hospital Association of Southern California (HASC) and billing agencies, along with Department representatives.

FISCAL IMPACT/FINANCING:

For the first year of the contract, AIA will process and adjudicate all PSIP and MetroCare manual (hard-copy) and electronic claims at \$2.85 and \$1.50 each, respectively, which are the same rates that have been in place for PSIP claims since October 2002. The negotiated processing and adjudication rates for each year of the Agreement are as follows:

	<u>Manual</u>	<u>Electronic</u>
Year 1	\$2.85	\$1.50
Year 2	\$3.00	\$1.60
Year 3	\$3.00	\$1.60
Year 4	\$3.15	\$1.65
Year 5	\$3.15	\$1.65

AIA will continue to process and adjudicate PPP claims at the current Fiscal Year (FY) 2006-07 rates, and provide Medi-Cal matching identification services at the current rate of \$2,000 per month for PSIP, which have been in use since October 2002, during the full duration of the agreement including any and all automatic renewals. In addition, AIA will provide Medi-Cal matching identification services at the reduced rate of \$1,000 per month for MetroCare claims.

Funding is included in Health Services Administration's (HSA) FY 2006-07 Final Budget, will be requested in HSA's FY 2007-08 Final Changes Budget Request, and will be requested in future fiscal years.

The maximum obligation for this Agreement upon Board approval through March 31, 2008 is \$2.2 million offset by up to \$1.1 million in State allocated Tobacco Tax and SB 612 administrative funds (for the PSIP and MetroCare services components), and \$1.1 million in net County cost for the PPP Program.

The total maximum obligation for the four additional twelve-month automatic renewals is \$9.0 million offset by up to \$4.6 million in State allocated Tobacco Tax and SB 612 administrative funds (for the PSIP and MetroCare services component), and \$4.4 million in net County costs for the PPP Program.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The Department is responsible for processing claims for payment to non-County physician providers who, through the PSIP, bill the County for services provided to eligible indigent persons in non-County facilities. In 1990, the Board approved an agreement with an external

adjudication vendor to provide AB 75 (i.e., Proposition 99 Tobacco Tax Initiative) claims processing for DHS. In December 1991, this Agreement was extended to include the EMS Maddy Fund (SB 612) claims processing services. In 1993, and again in 1997, a Request for Proposals was released and AIA was selected as the contractor to provide the processing services for all non-County physician claims.

In addition, DHS adjudicates claims for payment to PPP Program contractors providing medical services to indigent patients throughout the County. The PPP Program began under DHS' Medicaid Demonstration Project (1115 Waiver) in 1996. In April 1997, the PPP Program solicited proposals from various prospective vendors, and AIA was selected to provide claims adjudication services for the PPP Program. AIA has continued to provide such services since September 1997.

On September 30, 1997, the Board approved Agreement No. 71048 with AIA to provide medical claims processing services for various programs, including PSIP, PPP Program, and General Relief (GR) Programs. Subsequently, the Board approved Amendment Nos. 1 through 3, to extend the term, increase the maximum obligation, and expand services.

On May 31, 2005, the Board approved Agreement No. 702081 with AIA to allow for continued provision of medical claims adjudication services for the PSIP and PPP Programs effective July 1, 2005 through June 30, 2006 with delegated authority to the Director of DHS to extend the term for an additional 12 months. On July 10, 2006, upon written mutual consent, as provided in the Agreement, the Agreement was extended for an additional 12 months through June 30, 2007.

The sole-source Agreement may be terminated for convenience upon a 30-days advance written notice by either party.

County Counsel has reviewed and approved the sole-source Agreement, Exhibit I, as to use and form.

Attachment A provides additional information.

#### CONTRACTING PROCESS:

The rates, terms, and conditions included in the recommended Agreement resulted from negotiations between the Department and AIA. Information concerning sole-source agreements is not advertised as a contract business opportunity on the Los Angeles County Online Web Site.

#### IMPACT ON CURRENT SERVICES (OR PROJECTS):

Approval of this Agreement will allow the Department to continue, without disruption or delay, medical claims processing and adjudication services for the PSIP and PPP programs and expedite provision of these services for the new MetroCare indigent services program.

The Honorable Board of Supervisors  
March 20, 2007  
Page 5

When approved, the Department requires three signed copies of the Board's action.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'BAC', with a large, loopy flourish underneath.

Bruce A. Chernof, M.D.  
Director and Chief Medical Officer

BAC.lvb  
AIA Board Ltr.lvb.wpd

Attachments (2)

c: Chief Administrative Officer  
County Counsel  
Executive Officer, Board of Supervisors

SUMMARY OF AGREEMENT

1. Type of Service:

Adjudication of medical claims for indigent patients under the Physician Services for Indigents Program, Public-Private Partnership Program and MetroCare.

2. Agency Address and Contact Person:

American Insurance Administrators (AIA)  
13191 Crossroads Parkway North, Suite 205  
City of Industry, California 91746  
Contact Persons: Furrokh Dastur, President or  
Manaz Billimoria, Assistant Vice President  
Telephone: (562) 908-4567/Facsimile (562) 695-6105

3. Term:

The sole-source Agreement with AIA is effective upon Board approval through March 31, 2008, with provision for four twelve-month automatic renewals through March 31, 2012.

4. Financial Information:

The total maximum obligation is \$11.2 million, consisting of 2.2 million effective upon Board approval through March 31, 2008, and 9.0 million for the four twelve-month automatic renewals through March 31, 2012, partially offset by up to \$5.7 million in State allocated Tobacco Tax and SB 612 administrative funds resulting in a net County cost of \$5.5 million.

Funding is included in Health Services Administration's (HSA) FY 2006-07 Final Budget, will be requested in HSA's FY 2007-08 Final Changes Budget Request, and will be requested in future fiscal years.

5. GEOGRAPHIC AREA TO BE SERVED:

Countywide.

6. RESPONSIBLE FOR PROGRAM MONITORING:

Fiscal Services Chief and the Office of Ambulatory Care.

7. APPROVALS:

Office of Ambulatory Care:	Wesley Ford, Director
Emergency Medical Services Agency	Carol Meyer, Director
Fiscal Services:	Mark Corbet, Chief
Contracts & Grants:	Cara O'Neill, Chief
County Counsel (as to form):	Sharon A. Reichman, Principal Deputy

FACT SHEET

**RE: APPROVAL OF SOLE-SOURCE CLAIMS ADJUDICATION SERVICES AGREEMENT WITH AMERICAN INSURANCE ADMINISTRATORS, A SUBSIDIARY OF MANAGEMENT APPLIED PROGRAMMING, INC.**

All Districts.

CONTACT PERSONS:

Wesley Ford, Director  
Office of Ambulatory Care  
313 North Figueroa Street, Room 704  
Los Angeles, California 90012  
Telephone: (213) 240-8120  
Email: [wford@ladhs.org](mailto:wford@ladhs.org)

Mark Corbet, Chief  
DHS, Fiscal Services  
313 North Figueroa Street, Room 531  
Los Angeles, California 90012  
Telephone: (213) 240-7875  
Email: [mcorbet@ladhs.org](mailto:mcorbet@ladhs.org)

Carol Meyer, Director  
DHS, Emergency Medical Services Agency  
5555 Ferguson Drive, Suite 220  
Commerce, California 90022  
Telephone: (323) 890-7500  
Email: [cmeyer@ladhs.org](mailto:cmeyer@ladhs.org)

SUBJECT:

Approval to instruct the Director of Health Services, or his designee, to enter into a sole-source Agreement with American Insurance Administrators (AIA), a fully owned subsidiary of Management Applied Programming, Inc.

REQUESTED ACTIONS:

You are being asked to approve and instruct the Director of Health Services, or his designee, to sign a sole-source Agreement with AIA, a fully owned subsidiary of Management Applied Programming, Inc., to continue as the County's contracted medical claims adjudicator for services provided by non-County physicians to County responsible patients, effective upon Board approval through March 31, 2008 with a maximum obligation of \$2.2 million, with provision for four twelve-month automatic renewals through March 31, 2012 for an additional \$9.0 million, for a total maximum obligation of \$11.2 million; partially offset by up to \$5.7 million in State allocated Tobacco Tax and SB 612 administrative funds; resulting in a net County cost of \$5.5 million.

PROGRAM:

Claims adjudication services for thousands of non-County physicians who provide trauma and emergency services to County responsible patients in programs such as the Physician Services for Indigents Program (PSIP), the Public-Private Partnership (PPP) Program and the new MetroCare model and its concomitant urgent development and processing requirements.

## FACT SHEET (continued)

### TERM OF CONTRACT:

Effective upon Board approval through March 31, 2008 with provision for four twelve-month automatic renewals through March 31, 2012.

### AUTOMATIC RENEWAL:

Yes. The sole-source Agreement will be automatically renewed for four twelve-month terms through March 31, 2012.

### FIRST BOARD CONTRACT:

March 2, 1993.

### CONTRACT EXPIRATION:

March 31, 2012.

### RETROACTIVITY:

Not applicable.

### REQUEST FOR PROPOSALS (RFP) PROCESS:

Not applicable.

### SOLE SOURCE JUSTIFICATION:

The Department of Health Services is recommending AIA on a sole-source basis because AIA is uniquely qualified and has the expertise and knowledge of County's data and reporting requirements. AIA has created a customized, reliable, efficient, and effective claims processing and data reporting system specifically tailored to meet the needs of the Department. They have an exceptional understanding of the County PSIP and PPP Programs' architecture and ideology and currently maintain more than nine (9) million PSIP and PPP claims records that impact over 4,000 non-County physicians. Additionally, due to its familiarity with non-County physician claims processing and reporting for the County, no other vendor could initiate non-County physician claims processing for MetroCare with the same rapidity and effectiveness as AIA. An unnecessary delay in initiating claims processing for MetroCare could result in non-County physicians refusing to participate in the program and jeopardize provision of timely and needed care to these patients.

### LOS ANGELES COUNTY ONLINE WEB SITE:

Not applicable.

AIA Board Ltr.lvb.wpd